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Glenn E. Von Tersch

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Curing the Inequitable Conduct Plague in Patent Litigation

by
GLENN E. VON TERSCH*

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Introduction

"[T]he habit of charging inequitable conduct in almost every major patent case has become an absolute plague."¹

Nearly ten years after he first made it, Senior Judge Nichols' statement still holds true.² Once a patent case reaches the litigation stage, the stakes involved appear to outweigh any deterrents to false defenses raised in the pleadings. Given today's attitude toward zealously advocating the client's cause, even the slimmest evidence compels an attorney to plead inequitable conduct as a defense. Counsel then hopes to turn something up during the fishing expedition that we now call discovery. If the charge appears groundless, the defense risks Rule 11 sanctions,³ which most judges impose only in extreme cases.⁴ While no one wants to incur the wrath of the court or the penalties involved in sanctions, if the choice is between a preliminary injunction that stops a company in its tracks, or a groundless inequitable conduct defense, the stakes make the choice relatively easy. In the meantime, both sides and the court spend valuable resources on the inequitable conduct issue, and defendants may be able to convince plaintiffs to settle a perfectly valid infringement claim for cents on the dollar. Ultimately this results in wasteful use of scarce judicial resources, economically inefficient outcomes, and cumbersome burdens for anyone involved in the patent application process.

This note concentrates exclusively on inequitable conduct during prosecution of a patent application before the United States Patent and Trademark Office ("PTO").⁵ Initially, this note provides a

1. *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418 (Fed. Cir. 1988) (Nichols, J.).

2. *See, e.g., Modine Mfg. Co. v. United States Int'l Trade Comm'n*, 75 F.3d 1545, 1557-58 (Fed. Cir. 1996) ("[T]he rule of *Kingsdown* evolved in response to the 'plague' of collateral attacks, of which this is an example, wherein routine patent practice is challenged without substance."). *Id.*

3. Rule 11 requires a party to verify that all representations filed in court are correct. *See* FED. R. CIV. P. 11.

4. Sanctions are generally imposed in "exceptional cases" which courts are reluctant to find. *See, e.g., Oshkosh Truck Corp. v. Lockheed Missiles & Space Co.*, 678 F. Supp. 809, 812 (1987) (refusing to award legal fees to either side in an inequitable conduct case). *See also* *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573, 1576 (Fed. Cir. 1997) (district court found inequitable conduct in patent prosecution but declined to award either party attorneys' fees or sanctions).

5. Discussion of other forms of inequitable conduct such as inequitable enforcement

definition of inequitable conduct before the PTO.⁶ Next, this note describes some of the legal consequences of inequitable conduct, including unenforceability of the patent and possible liability for patent misuse and securities violations. This note also details the method available for curing inequitable conduct before prosecution of the patent application ends. This note then addresses problems with the current state of the law, such as lack of clear standards, ease of raising the defense, collateral effects of unenforceability on licenses, and unavailability of a post-issue cure. Finally, I propose possible solutions to these problems, including penalizing the party that loses on the inequitable conduct issue in litigation and allowing post-issue cure of inequitable conduct through reexamination or reissue.

I

Inequitable Conduct Defined⁷

In brief, inequitable conduct can be defined as knowingly breaching the standards for doing business with the PTO as set forth in the rules promulgated by the Commissioner of Patents and Trademarks.⁸ Congress does not mention inequitable conduct explicitly in the statutes governing patents. Nor do the rules promulgated by the Commissioner of Patents and Trademarks mention inequitable conduct, but they do set forth standards of conduct for patent attorneys and agents⁹ prosecuting¹⁰ patent

of patents, patent misuse, and inequitable conduct of litigation is well beyond the scope of this note.

6. "Inequitable conduct" refers to conduct before the PTO unless otherwise noted.

7. For more information on the history of the inequitable conduct defense, see Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 HARV. J.L. & TECH. 37 (1993). For another useful article in this area, see Patricia N. Brantley, *Ethical Issues in Patent Prosecution and Litigation*, CA15 A.L.I.-A.B.A. 227 (1995).

8. 37 C.F.R. § 1.56 (1996) purports to set out the standard for doing business with the PTO.

9. Patent agents are licensed to prosecute patents before the PTO. They must have passed the Patent Bar Exam, given by the PTO, and must have passed a minimal determination of moral character. However, patent agents need not have any formal legal training, nor be members of any state's bar. See 37 C.F.R. §§ 10.6(b), 10.7 (1996).

10. The actions taken by a person and her representatives in applying to the PTO for a patent are referred to as prosecution. These actions include supplying information to the PTO on the invention, supplying information on known prior art related to the invention, and arguing the merits of the invention over what is already known to those skilled in the relevant art.

applications before the PTO.¹¹ The courts look to the PTO rules for guidance, but are ultimately controlled by Supreme Court and Federal Circuit precedents which stand independent of the PTO rules.¹²

Utilizing the Commissioner of Patents and Trademarks' rule-making power,¹³ the PTO promulgated 37 C.F.R. § 1.56 ("Rule 56") to define the proper way of doing business with the PTO:

A patent by its very nature is affected with a public interest. . . . Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose all information known to that individual to be material to patentability. . . .¹⁴

Rule 56 later defines materiality:

[I]nformation is material to patentability when it is not cumulative to information already of record or being made of record in the application, and (1) It establishes, by itself or in combination with other information, a *prima facie* case of unpatentability of a claim; or (2) It refutes, or is inconsistent with, a position the applicant takes in: (i) Opposing an argument of unpatentability relied on by the Office, or (ii) Asserting an argument of patentability.¹⁵

Rule 56 sets out a "duty of candor and good faith" that must be observed by anyone involved with the prosecution of a patent application including the applicant, the patent attorney, and any corporate officers involved in the application process.¹⁶ The PTO generally takes the position that Rule 56 is the mechanism that forces people to cite information to the examiner early in the application process, thereby increasing the effectiveness of the examination.¹⁷ Each person associated with a patent application has a duty to inform the PTO of information relevant to the patent application and to ensure that misrepresentations are not knowingly made in supplying or failing to supply the PTO with such information.

11. See 37 C.F.R. § 1.56 (1996).

12. See *Kingsdown Med. Consultants, Ltd., v. Hollister, Inc.*, 863 F.3d 867 (Fed. Cir. 1988) (en banc).

13. 35 U.S.C. § 6. (West 1984 & Supp. 1997).

14. 37 C.F.R. § 1.56(a) (1996).

15. 37 C.F.R. § 1.56(b) (1996) (emphasis added).

16. 37 C.F.R. § 1.56 (1996).

17. See, e.g., Rene D. Tegtmeyer, *The Patent and Trademark Office View of Inequitable Conduct or Attempted Fraud in the Patent and Trademark Office*, 16 AIPLA Q.J. 88 (1988).

Even though this rule binds anyone practicing before the PTO, it does not control a court's determination of whether inequitable conduct has occurred.¹⁸ While, Rule 56 provides a starting point for the courts, Supreme Court and Federal Circuit¹⁹ precedents ultimately control the lower courts' decisions. Currently, the Federal Circuit describes the elements of inequitable conduct as: "[1] failure to disclose material information, or submission of false material information, [2] with an intent to deceive" the PTO during prosecution of a patent application.²⁰ In addition, intent cannot be inferred from gross negligence alone, but must come from a consideration of all circumstances including evidence of good faith.²¹

II

Consequences of Inequitable Conduct

A patent obtained through inequitable conduct is unenforceable.²² Unenforceability is not limited to claims directly affected by the inequitable conduct; rather it extends to every claim in the patent.²³ Thus, an attorney faced with a patent infringement suit likely to put his client out of business would understandably feel compelled to plead inequitable conduct on the slimmest of evidence.

Not only are all of the claims of the tainted application unenforceable, but inequitable conduct can infect related applications and patents.²⁴ Inequitable conduct infects the progeny²⁵ of an

18. *American Hoist & Derrick Co. v. Sowa & Sons Inc.*, 725 F.2d 1350, 1363 (Fed. Cir. 1984).

19. The Federal Circuit is the common nickname for the United States Court of Appeals for the Federal Circuit, which was created in 1982 and has jurisdiction over all appeals in cases involving claims of patent infringement. See 28 U.S.C. § 1295 (1996). The United States District Courts have exclusive jurisdiction over all claims arising under the patent laws. See 28 U.S.C. § 1338 (1996).

20. *Kingsdown*, 863 F.2d at 872.

21. See *id.* at 876.

22. See, e.g., *J.P. Stevens v. Lex Tex.*, 747 F.2d 1553, 1567 (Fed. Cir. 1985). Unenforceability is a defense to liability for infringing a patent. See 35 U.S.C. § 282 (1996).

23. See *J.P. Stevens*, 747 F.2d at 1567.

24. See Kevin R. Casey, "Infectious Unenforceability: The Extent or Reach of Inequitable Conduct on Associated Patents," 17 AIPLA Q.J. 338 (1989) for an excellent treatment of this subject.

25. Progeny of an application are those applications that were continued under 37 C.F.R. §§ 1.53, 1.60, or 1.62 from the original application, and claim priority under 35 U.S.C. § 120 from the original application.

application, rendering all of their claims unenforceable unless properly cured prior to issue.²⁶ Additionally, inequitable conduct in one patent can affect other patents-in-suits under some circumstances.²⁷ All things considered, a successful defense of inequitable conduct can thoroughly destroy a suit for patent infringement.

If a case of inequitable conduct is egregious enough, the court could go beyond holding the patent unenforceable and award Rule 11 sanctions against the party asserting the patent for filing a paper (the pleading) the party did not have grounds to believe was correct.²⁸ However, the general idea of sanctioning anyone significantly seems to have little appeal to the courts.²⁹ Other possible negative consequences include liability in antitrust suits for patent misuse.³⁰ In the Securities law context, corporations can trigger liability by falsely asserting the validity and value of their patents when reporting securities information.³¹ In some cases, inequitable conduct can even result in loss of the attorney-client and work product privileges that normally apply during litigation.³²

Even if inequitable conduct charges prove false, both litigants and the courts must expend tremendous resources on the issue. A charge of inequitable conduct could prove enough to push a plaintiff toward settling a legitimate claim at a significantly discounted value. Given that most patent disputes do not reach trial because the parties prefer settlement,³³ forcing a plaintiff to settle due to a possibly spurious but expensive defense to a charge of inequitable conduct seems unfair. Alleged infringers do risk Rule 11 sanctions for a completely false charge of inequitable conduct, but this hardly constitutes an

26. See *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 245 (1933).

27. See *Casey*, *supra* note 24.

28. See FED. R. CIV. P. 11.

29. See, e.g., *Consolidated Aluminum Corp. v. Foseco Int'l Ltd.*, 910 F.2d 804 (Fed. Cir. 1990) (inequitable conduct does not trigger sanctions per se).

30. See DONALD S. CHISUM, PATENTS § 19.03[6][e] (1996).

31. See *id.*, § 19.03[6][g].

32. See *id.*, § 19.03[6][i].

33. In the year ending September 30, 1996, approximately 97% of civil cases filed in the Federal District Courts were terminated prior to trial, and approximately 86% of all civil cases in the District Courts were terminated prior to Pretrial. See JUDICIAL BUSINESS OF THE UNITED STATES COURTS 1996 REPORT OF THE DIRECTOR 165 (Table C-5, presenting statistics on filing and termination of Civil Cases in the United States District Courts).

appropriate risk to balance the drawbacks to patent owners. One can easily argue that a patent holder trades these risks for the monopoly conferred by the patent, and that the patent holder has no tougher burden than any other litigant. However, this ignores the vast opportunities a defendant in infringement litigation has to argue that just about any reference can be material enough such that it should have been cited to the PTO, and that the patent should therefore be unenforceable.³⁴

Beyond trial, inequitable conduct could result in discipline of the involved attorneys or agents by the Office of Enrollment and Discipline at the PTO.³⁵ Professor Chisum cites *Jaskiewicz v. Mossinghoff*³⁶ for the Federal Circuit's pronouncement that a violation of the Rule 56 duty of candor and good faith constitutes grounds for disciplinary action by the PTO.³⁷ However, this disciplinary action against an attorney or agent would be similar to a complaint to a state bar, and it would be instituted after a court investigated the inequitable conduct charges. As such, this would probably not be a proceeding with respect to a single application; it would occur long after prosecution of the patent ended.

Finally, a loss by a patent owner on the issue of inequitable conduct can produce results well beyond the suit at hand. For instance, a holding of unenforceability by a court precludes suits against other infringers, because the patent is effectively dead.³⁸ Additionally, licensing agreements involving that patent would likely require renegotiation in light of an unenforceability holding. In *Lear v. Adkins*, the Supreme Court held that a holding of invalidity of a patent makes a license of that patent unenforceable against the licensee.³⁹ However, many licensing agreements involve multiple patents, so having only one patent held invalid would merely call into question what the parties to the agreement now owed each other.

34. See, e.g., *Graco Children's Prods. Inc. v. Century Prods. Co., Inc.*, No. CIV. A 93-6710, 1996 WL 421966, *32, *40 (E.D. Pa. 1996) (refusing sanctions or costs for a defense of inequitable conduct even though it included an untimely motion for summary judgment and no reference or other reliance by the PTO was shown).

35. See CHISUM, *supra* note 30, § 19.03[6][j].

36. 822 F.2d 1053 (Fed. Cir. 1987).

37. See CHISUM, *supra* note 30, § 19.03[6][j].

38. See, e.g., *J.P. Stevens*, 747 F.2d at 1567.

39. *Lear, Inc. v. Adkins*, 395 U.S. 653, 671-74 (1969).

Interestingly, *Lear* can be read to allow a party to refuse paying any royalties in a licensing agreement accruing from the date of issue of a patent that is subsequently held invalid.⁴⁰ Lower courts have construed *Lear* such that a licensee of an invalid patent avoids paying any royalties during the term of that patent.⁴¹ However, *Lear* is normally construed to allow a licensee to avoid paying royalties only after the licensee challenges the validity of the patent or a third-party obtains a judgment holding it invalid.⁴² On the subject of a typical complex intellectual property licensing agreement, the court in *Baladevon, Inc. v. Abbott Laboratories, Inc.*⁴³ held that where the parties had made some accommodations for possible patent invalidity, the rest of the agreement relating to trade secrets and other species of intellectual property survived the invalidity of the patent, despite *Lear's* apparent suggestion to the contrary.⁴⁴ The *Baladevon* court went so far as to note that the Federal Circuit has narrowed its application of *Lear* to cases with similar facts.⁴⁵ Whether a licensee could sue a patent owner for fraudulently asserting an unenforceable patent remains to be seen, but possibilities in the antitrust area definitely exist.⁴⁶

III

Curing Inequitable Conduct

Recognizing that not all inequitable conduct defeats patent enforceability, the Federal Circuit, in the case of *Rohm & Haas v. Crystal Chemical Co.*, prescribed requirements for curing inequitable conduct prior to patent issuance.⁴⁷ There are three steps involved in curing inequitable conduct:

The first requirement to be met by an applicant, aware of misrepresentation in the prosecution of his application and desiring to overcome it, is that he expressly advise the PTO of its existence,

40. *Id.* at 674.

41. *See, e.g.*, *RCA Corp. v. Data Gen. Corp.*, 701 F. Supp. 456, 477-78 (D. Del. 1988).

42. *See, e.g.*, *Allen Archery, Inc. v. Precision Shooting Equip., Inc.*, 865 F.2d 896 (7th Cir. 1989).

43. 871 F. Supp. 89 (D. Mass. 1994).

44. *Baladevon, Inc. v. Abbott Labs., Inc.*, 871 F. Supp. 89 (D. Mass. 1994).

45. *Id.* at 94 (citing *RCA Corp. v. Data Gen. Corp.*, 887 F.2d 1056, 1064 (Fed. Cir. 1989)).

46. *See supra* notes 30-31 and accompanying text.

47. *Rohm & Haas v. Crystal Chem. Co.*, 722 F.2d 1556, 1572 (Fed. Cir. 1983).

stating specifically wherein it resides. The second requirement is that, if the misrepresentation is of one or more facts, the PTO be advised what the actual facts are, the applicant making it clear that further examination in light thereof may be required if any PTO action has been based on the misrepresentation. Finally, on the basis of the new and factually accurate record, the applicant must establish patentability of the claimed subject matter.⁴⁸

Additionally, these steps must be taken by the applicant openly and on his own initiative.⁴⁹ One thing the court in *Rohm & Haas* emphasized was that supplying the correct facts without calling the examiner's attention to the prior misrepresentation falls short of effecting cure.⁵⁰

The *Rohm & Haas* case itself included a failed attempt at a cure.⁵¹ During prosecution of the application, Rohm & Haas filed an affidavit with intentional misrepresentations by omissions.⁵² Specifically, it filed an affidavit showing that its herbicide was far superior to existing herbicides.⁵³ It based this conclusion on test results compared side-by-side without disclosing that the tests of its herbicide occurred when plants were at their weakest while the other herbicides were tested when plants were at their strongest.⁵⁴ Subsequently, the application was involved in an interference that lasted several years.⁵⁵ After resolution of the interference, prosecution resumed, and attorneys for Rohm & Haas had an interview with the examiner.⁵⁶ At that interview, during a presentation of literally thousands of pages of documents, counsel for Rohm & Haas apprised the examiner of the additional facts surrounding the tests originally misreported in the affidavit, without advising him of the prior misrepresentation.⁵⁷ Rohm & Haas took the position that this disclosure effectively cured its earlier inequitable conduct because the

48. *Id.*

49. *Id.*

50. *Id.*

51. *Id.* at 1573.

52. *Id.* at 1563.

53. *Id.*

54. *Id.*

55. *Id.* at 1558.

56. *Id.*

57. *Id.* at 1564-65 and n.5.

examiner now had the correct facts before him.⁵⁸ The court noted that the corrected test data was not presented until the last part of the interview, and that the examiner testified on the stand both that by then he “just wanted them to leave[,]” and that in 27 years at the PTO no one had ever advised him of affidavit misrepresentations.⁵⁹ The court found that Rohm & Haas failed to cure its inequitable conduct.⁶⁰

When applied by courts, the *Rohm & Haas* standard has proven flexible. In situations similar to *Rohm & Haas* where a misrepresentation in an affidavit occurs, the three step test applies as well. First, the applicant advises the PTO that the affidavit includes misrepresentations and specifies what they are. Next, the applicant supplies whatever is available in the way of correct facts. Finally, the applicant attempts to prove patentability in light of the true situation.

Other situations of inequitable conduct involve failing to disclose material references. In these cases, the standard is relaxed since the examiner merely needs to read the reference.⁶¹ The applicant is then only expected to submit the reference to the examiner in an information disclosure statement⁶² during prosecution.⁶³ However, this disclosure can lead to sticky situations. Courts have generally upheld a presumption that government employees do their jobs.⁶⁴ Applied to patent prosecution, this means examiners are presumed to have considered any references they received prior to allowing the patent.⁶⁵ As a result, if an examiner finds a reference on his own, he is presumed to have considered it and thereby relieved the applicant and his attorney of the duty to bring it to his attention.⁶⁶

However, if a reference is material enough, simply citing it to the PTO may not be enough. The problem of “buried references” comes

58. *Id.* at 1567.

59. *Id.* at 1569.

60. *See id.* at 1573.

61. *See Applied Materials, Inc. v. Advanced Semiconductor Materials Am., Inc.*, 30 U.S.P.Q.2d 1967 (N.D. Cal 1994).

62. Information Disclosure Statements are the means by which the applicant submits references to the PTO during the patent examination process. *See* 37 C.F.R. §§ 1.97-99 (1996).

63. *See Applied Materials*, 30 U.S.P.Q.2d at 1969.

64. *See Northern Telecom., Inc. v. Datapoint Corp.*, 908 F.2d 931, 939 (Fed. Cir. 1990).

65. *See Applied Materials*, 30 U.S.P.Q.2d at 1969.

66. *See, e.g.*, 37 C.F.R. § 1.56(a) (1996) (if the Office cites the reference the duty is presumed to be discharged).

up from time to time, and courts will occasionally entertain the argument that one material reference was buried among a huge stack of unimportant references submitted by an applicant to the PTO.⁶⁷ In holding the buried reference in question properly submitted to the PTO, the *Molins* court reversed a district court determination that burying the reference in a submission with over fifty other references constituted inequitable conduct.⁶⁸ The *Molins* court also took pains to point out that proper practice before the PTO includes highlighting which references are most material to patentability.⁶⁹ The court also noted that in this case the large number of references were cited pursuant to a request for reexamination.⁷⁰ The *Rohm & Haas* case presents an example where the Federal Circuit effectively concluded that the reference was buried by the applicant, because the correct affidavit was presented hours into an interview when the examiner "just wanted them to leave."⁷¹

The obvious problem with this flexibility lies in the everyday judgment calls patent attorneys make. How does a patent attorney know that a reference is material and not cumulative of prior art already of record in the case? The *Molins* court indicated that the Federal Circuit considers it important that references should be cited in close cases.⁷² Brantley goes a step further by saying that one should unquestionably cite a reference even if it is only slightly material.⁷³ Likewise, the *Molins* decision indicates that applicants should highlight the materiality of a reference.⁷⁴ Understandably, however, a patent attorney would not want to make an admission about any reference. The resulting tension often leads to Information Disclosure Statements with no commentary at all.

Some restrictions on effecting cure stand out from the precedents in this area. First, reissue⁷⁵ is closed as an avenue for curing

67. See *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1182 (Fed. Cir. 1995).

68. *Id.* at 1184.

69. *Id.*

70. *Id.*

71. See discussion of *Rohm & Haas*, *supra* notes 47-60 and accompanying text.

72. *Molins*, 48 F.3d at 1182.

73. Brantley, *supra* note 7, at 249.

74. See *Molins*, 48 F.3d at 1184.

75. Reissue of a patent can occur when a patent owner, through error and without deceptive intent, claims either too much or too little. It is a public proceeding for issued patents only, and is an ex parte proceeding for the patent owner before the PTO. If reissue

inequitable conduct.⁷⁶ The statute authorizing reissue requires that any errors in the patent occurred without deceptive intent.⁷⁷ Inequitable conduct, by definition, involves intent to deceive.⁷⁸ In *In re Clark*, the patent had issued and been asserted in an infringement action where it was held invalid for obviousness in light of a reference known to the applicant's attorney but not disclosed to the PTO during prosecution.⁷⁹ The court did not, however, hold the patent unenforceable for inequitable conduct at that point.⁸⁰ Clark applied for reissue citing the reference in question and requesting that the patent be examined for patentability over it.⁸¹ The PTO, citing the prior judgment, refused to accept the reissue application due to Clark's inability to meet the requirement of lack of deceptive intent.⁸² Ultimately, the case was appealed to the Court of Customs and Patent Appeals, which held the application for reissue fatally defective due to Clark's deceptive intent.⁸³

In some close cases of inequitable conduct, reissue may be available, but the court must conclude intent to deceive was not present, which effectively means there was no inequitable conduct.⁸⁴ Furthermore, the *Clark* court notes in a footnote that it has not passed on whether an applicant could seek reissue if no holding of unenforceability or invalidity had occurred.⁸⁵ Read together, the *Clark* and *Harita* decisions seem to indicate reissue would be available, but a patent owner would still have to litigate the intent issues when asserting the patent.

is instituted within two years of issue of the patent, claims can be broadened, and claims can always be narrowed. Reissue can involve any questions of patentability and any forms of prior art, and can be abandoned, continued and divided as with any normal application. See generally 35 U.S.C. § 251 (1996); 37 C.F.R. §§ 1.171-1.179 (1996).

76. See *In re Heany*, 1911 C.D. 138 (Comm'r Pat. 1911). Cf. *In re Clark*, 522 F.2d 623 (C.C.P.A. 1975).

77. See 35 U.S.C. § 251 (1996).

78. See *Clark*, 522 F.2d at 627.

79. *Id.*

80. *Id.*

81. *Id.*

82. *Id.*

83. *Id.*

84. See *In re Harita*, 847 F.2d 801 (Fed. Cir. 1988).

85. *Clark*, 522 F.2d at 627 n.4.

Most importantly, once a patent is judged unenforceable by a court it cannot be cured.⁸⁶ Additionally, at least some authority stands for the proposition that once a patent issues no cure can be effected in it or its progeny,⁸⁷ even if the inequitably attained patent is never enforced.⁸⁸ The Federal Circuit has never addressed how this harmonizes with the *Clark* and *Harita* decisions. Unfortunately, the prudent course of action for any patent holder would be to refrain from asserting in court any patent with a possible inequitable conduct issue, thereby effectively giving up the patent.

Several questions remain unresolved by current patent law and court decisions. First, reexamination⁸⁹ as a means to cure inequitable conduct has never been addressed by any court, let alone the Federal Circuit. Second, how inequitable conduct arises from problems with 35 U.S.C. § 102 remains unclear. Section 102 details what can be prior art, and specifies what actions or publications can anticipate an invention thereby barring patentability.⁹⁰ Courts defer to PTO determinations on technical issues because of the PTO's expertise in these areas. When a patent attorney has facts that present a conceivable example of a prior public use but which may be excused as an experimental use, it is not obvious that those facts should be disclosed to the PTO. On the one hand, the interest of having all the facts examined by the PTO indicates disclosure. On the other hand, the interests of judicial economy favor making the determination only once in court, rather than both in court and in the PTO. Courts will rely on and defer to PTO determinations regarding technical issues when the PTO has all of the facts before it, but courts appear to be a better forum for credibility determinations, and they understandably

86. See *Rohm & Haas*, 722 F.2d 1556.

87. See *supra* note 25.

88. See *Applied Materials Inc. v. Advanced Semiconductor Materials Am., Inc.*, 30 U.S.P.Q.2d 1967 (N.D. Cal. 1994).

89. Reexamination of a patent involves submitting to the PTO prior art in the form of patents and printed publications and requesting that the PTO reexamine a specific patent in light of substantial new questions of patentability raised by the prior art. Once begun it must proceed to a determination, either that the claims are patentable over the prior art, that the claims as amended by the patent owner are patentable over the prior art, or that no claims remain patentable over the prior art. Reexamination may be requested by anyone, but after initial proceedings it is a purely ex parte proceeding for the patent owner before the PTO. All reexamination proceedings are public. See generally 35 U.S.C. §§ 301-307 (1996); 37 C.F.R. §§ 1.501-1.570 (1996); MPEP § 2200 (1996).

90. 35 U.S.C. § 102 (1996).

disregard any PTO determinations made without all of the relevant facts. If nothing else, the adversarial nature of a trial proceeding tends to bring out more facts than the *ex parte* nature of patent prosecution.

IV

Problems with the Current Law

The problems with the current state of the law on inequitable conduct leave one wondering how we got to this point in the first place. Attorneys prosecuting patent applications are left to make judgment calls on what information to provide and not provide to the PTO. Once a patent infringement suit is filed, defendants have too much leeway in pleading unenforceability due to the inequitable conduct defense. Courts making determinations of inequitable conduct must resolve confusing precedent from the Federal Circuit, have no guidance on exactly how to determine inequitable conduct, and are frequently reversed on appeal. Licenses including patents held unenforceable due to inequitable conduct stand at best on shaky ground. Most importantly though, the lack of a procedure for effecting cure after a patent issues leaves patent owners with no way to repair the damage.

Furthermore, attorneys must rely on their best judgment in determining what constitutes a material reference.⁹¹ The dilemmas attorneys face include determining whether to submit an apparently cumulative piece of prior art or whether to disclose a possible experimental use. What constitutes inequitable conduct is far from clear at the time these judgments are made, and changes in the PTO rules on disclosure are not interpreted by the courts until well after the rules are made final.⁹² One attorney might view a piece of prior art as clearly material where another attorney would view it as immaterial. Likewise, one court might view a use as clearly experimental and therefore not a violation of 35 U.S.C. § 102(b),⁹³ whereas another court analyzing the same set of facts may invalidate

91. Some specific examples of these judgment calls are set forth in Patricia Brantley's article on ethical issues facing patent attorneys. See Brantley, *supra* note 7, at 240-45.

92. See, e.g., *Molins PLC v. Textron*, 48 F.3d 1172, 1179 n.8 (Fed. Cir. 1995) (noting that the PTO had changed its definition of materiality and refusing to comment on it); Brantley, *supra* note 7, at 240-45 (discussing *Molins*).

93. Section 102(b) bars patentability when the patented device or process has been known or used by others or on sale more than one year before a patent application is filed in the United States. 35 U.S.C. § 102(b) (1996).

the patent for anticipation due to a public use that bars patentability. The patent attorney prosecuting the application has the unenviable task of deciding whether to alert the examiner to what the applicant considers an experimental use.⁹⁴

As mentioned above, many of these mundane factual determinations will be replayed in the courts regardless of how the examiner thinks they determine patentability. For example, ten years after prosecuting a patent, a court proceeding may result in the attorney being branded a fraud for failing to disclose the use of the invention.⁹⁵ The Federal Circuit has announced that in close cases, applicants should err on the side of disclosure and let the PTO determine patentability.⁹⁶ However, what constitutes a close case is not clear.⁹⁷ Eliminating that ambiguity as a concern for patent attorneys would allow everyone involved in both prosecution and litigation to act more efficiently.

The ease with which inequitable conduct may be pleaded as a defense is also problematic. Patentholders can attempt to eliminate inequitable conduct defenses at various stages of litigation.⁹⁸ Recently, courts have used the increased specificity requirements of Rule 9(b)⁹⁹ to strike inequitable conduct defenses when ruling on Rule 12(b)(6) motions to dismiss and summary judgment motions.¹⁰⁰ However, once a defendant has a specific reference available, the remaining questions of materiality and intent represent factual determinations reviewable only for clear error.¹⁰¹ Once the issue is raised, much of the resources devoted to litigation go to this issue, thereby making infringement actions that much more expensive for the patent owner. As an example of how much litigation the inequitable conduct defense has created, consider that Professor Chisum discusses inequitable conduct for nearly two hundred pages of his chapter on defenses, and gives all

94. See Brantley, *supra* note 7, at 241.

95. See *Molins*, 48 F.3d at 1182.

96. See *id.*

97. See Brantley, *supra* note 7, at 241.

98. See, e.g., FED. R. CIV. P. 12(b)(6); FED. R. CIV. P. 56.

99. Rule 9(b) requires particularity when pleading fraud in a civil action. See FED. R. CIV. P. 9(b).

100. See, e.g., *Sun-Flex Co. v. Softview Computer Prods. Corp.*, 750 F. Supp. 962 (N.D. Ill. 1990).

101. See, e.g., *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988) (en banc).

of the remaining defenses enumerated by Congress or created by the courts less than three hundred pages.¹⁰²

The response that litigation should be expensive fails in these situations. A similar response seems appropriate to the protections for corporations provided by Rule 23.1.¹⁰³ Rule 23.1 requires a high level of specificity in prosecuting class action shareholder derivative suits against corporations.¹⁰⁴ This rule was instituted in response to the great expenditure of resources by litigants and the judiciary in dealing with groundless suits used primarily as a means to extort a settlement from a corporation. Given that the same concerns apply here, and that a heightened standard of pleading already applies,¹⁰⁵ the next step seems to be to limit the options to those attempting to plead inequitable conduct.

The district courts also have great latitude in how they determine whether inequitable conduct occurred. In their efforts to interpret the seemingly conflicting opinions of the Federal Circuit and do justice when deciding patent cases, the federal district courts regularly struggle with inequitable conduct and the Federal Circuit often feels compelled to reverse their decisions.¹⁰⁶ In deciding *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*, the Federal Circuit even took it upon itself to include a unanimous en banc section in the opinion devoted to inequitable conduct titled "Resolution of Conflicting Precedent."¹⁰⁷ For a long time, determinations of whether a reference is material or whether a patentee intended to deceive the PTO were reviewed for clear error, but whether inequitable conduct occurred was reviewed de novo.¹⁰⁸ This odd dichotomy resulted from the underlying elements of materiality and intent falling into the classification of findings of fact while inequitable conduct constituted a conclusion of law.¹⁰⁹ As a result, the determinations of a district

102. CHISUM, *supra* note 30, § 19.

103. See FED. R. CIV. P. 23.1.

104. See *id.*

105. See, e.g., *Sun-Flex*, 750 F. Supp. at 962.

106. See *Goldman*, *supra* note 7, at 85-87. See also *Magnivision, Inc. v. Bonneau Co.*, 115 F.3d 956 (Fed. Cir. 1997) (remanding for a new trial because alleged infringer prejudiced jury with evidence about inequitable conduct even though District Court granted summary judgment to plaintiff on inequitable conduct before trial).

107. See *Kingsdown*, 863 F.2d at 876.

108. See *id.*

109. See *American Hoist & Derrick Co. v. Sowa & Sons Inc.*, 725 F.2d 1350, 1363 (Fed.

court could be and often were overruled by the Federal Circuit with impunity. The Federal Circuit changed the standard of review from *de novo* to abuse of discretion,¹¹⁰ but the general trend in this area is that the Federal Circuit will still overrule the trial courts with great regularity.¹¹¹

It is far from clear what procedure should be used for deciding inequitable conduct issues in the district courts. Some courts have used jury determinations, while other courts have reserved the inequitable conduct issue for a bench trial.¹¹² The Federal Circuit has cited with approval the various methods district courts use.¹¹³ However, the Federal Circuit has also remanded cases to the district courts for failure to properly proceed in trying issues of inequitable conduct.¹¹⁴

Another problem arises in scenarios involving licenses. As discussed above, a license for an invalid patent is itself invalid.¹¹⁵ However, most licenses involve multiple patents and/or other intellectual property.¹¹⁶ As a result, invalidation of patents leaves these contracts on less than firm ground due to the *Lear* line of cases.¹¹⁷ Forcing companies to renegotiate licensing contracts each time a patent proves unenforceable requires that companies value each patent individually. This would greatly reduce economic efficiency and the administrability of licensing contracts.

Lastly, the biggest problem in this area involves the unavailability of cure after the patent issues. Given a situation where a reference is discovered to be more material than it appeared during prosecution, the appearance of misconduct may sink the patent even though the

Cir. 1984).

110. See *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987).

111. See, e.g., *Litton Systems, Inc. v. Honeywell, Inc.*, 87 F.3d 1559, 1570-71 (Fed. Cir. 1996) (reversing district court determination of inequitable conduct). See also *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573, 1580-82 (Fed. Cir. 1997) (reversing district court determination of inequitable conduct).

112. See, e.g., *Hebert v. Lisle Corp.*, 99 F.3d 1109, 1114-15 (Fed. Cir. 1996).

113. See *id.*

114. See *supra* note 106.

115. See *supra* notes 39-46 and accompanying text.

116. See, e.g., *Intel Corp. v. ULSI Sys. Tech., Inc.*, 782 F. Supp. 1467, 1473-74 (D. Or. 1991) (license provision of under 300 words granting cross-license between Hewlett-Packard and Intel on all patents filed before Jan. 1, 2001).

117. See *Lear v. Adkins*, 395 U.S. 653 (1969) and discussion *supra* notes 39-46 and accompanying text.

patentee had no actual intent to deceive.¹¹⁸ A similar set of circumstances could occur when a prior use turns out to be commercial instead of experimental, or a lost lab notebook turns up with data detrimental to patentability.¹¹⁹ While one could argue that the patentee should have been more careful during the initial prosecution, this places an unworkable burden on anyone attempting to obtain a patent, and could lead to both less use of the patent system and less disclosure of ideas to the public. All of these problems cry out for an opportunity for post-issue cure, such as reexamination or reissue. Currently, however, a court would have good reason to rule these types of cure both unavailable and ineffective for inequitable conduct reasons.¹²⁰

V

Solutions

Solving the problems with the current law on inequitable conduct would require changes in the law. The penalty for inequitable conduct is unenforceability of the patent, but some form of post-issuance cure that focuses on materiality and patentability must be made available. Once allegations of inequitable conduct are raised in a court proceeding, the range of possible outcomes should be structured such that one of the two parties pays a penalty, either for asserting an unenforceable patent, or for raising an unproven defense of unenforceability due to inequitable conduct. While these solutions have some disadvantages, they do improve patent litigation and they work better than other available solutions. Regardless, the PTO should not inquire into issues of intent in the future.

First, the penalty for inequitable conduct should be that the patent is unenforceable until cure is effected. This does not represent a change in the patent itself,¹²¹ but adding post-issue cure requires changes in the law. Additionally, the *Rohm & Haas* steps seem well adapted to the process of effecting a cure and should be retained.

118. See, e.g., *Molins PLC v. Textron*, 48 F.3d 1172, 1182 (Fed Cir. 1995) (those who are not up-front with the PTO run the risk of having their patents invalidated).

119. This hypothetical assumes that the prior uses would not result in per se unpatentability under 35 U.S.C. § 102(b) but would be material enough to satisfy the court that inequitable conduct occurred.

120. See *Casey*, *supra* note 24 (once a patent issues from the PTO, cure cannot be effected).

121. See, e.g., *Rohm & Haas*, 722 F.2d at 1572; *In re Clark*, 522 F.2d 623 at n.4.

Currently, no post-issue cure opportunities exist,¹²² except for the narrow *Harita* exception.¹²³ Both reissue and reexamination should be available for cure of inequitable conduct.

Given the compelling public interest in the validity of issued patents,¹²⁴ post-issue cure, while it must be available, must also be discouraged. Therefore, post-issue cure must be expensive, considerably more so than reexamination. Additionally, the presumption of validity must be eliminated, though this requires no change in current PTO practice, as the Federal Circuit has held that no patent before the PTO enjoys the presumption of validity.¹²⁵ The patentee must still prove patentability over the art or evidence in question as required by the *Rohm & Haas* standard.

Currently, the PTO receives an issue fee of \$1,250 and maintenance fees of several thousand dollars on all issued patents.¹²⁶ However, since an abandoned patent brings in no revenue to the PTO, the PTO has a strong incentive to allow, rather than deny, patentability. Under the current scheme, upon receiving a request for reexamination the PTO has a strong tendency to determine that a substantial new question of patentability does exist and therefore grant the request. The reexamination process involves revenue for the PTO¹²⁷ and the PTO also generally leaves some claims intact after any reexamination, thereby keeping its maintenance fee revenue stream intact.¹²⁸

122. See *Golden Valley Microwave Foods v. Weaver Popcorn Co.*, 837 F. Supp. 1444 (N.D. Ind. 1992), *aff'd*, 11 F.3d 1072 (Fed. Cir. 1993) (per curiam).

123. See *supra* notes 71-82 and accompanying text. In *Harita*, an application for reissue of a patent was rejected by the PTO due to inequitable conduct in the original prosecution. *Harita*, 847 F.2d at 802-03. The court reversed the rejection, finding that the applicants and their agents did not have the requisite intent for a finding of inequitable conduct. *Id.* at 808-09.

124. See *Rohm & Haas*, 722 F.2d at 1572.

125. See *Ethicon v. Quigg*, 849 F.2d 1422 (Fed. Cir. 1988).

126. See Annual Report of the Patent and Trademark Office, Financial Review, Trends in Revenues and Expenses (visited Jan. 28, 1998) <<http://www.uspto.gov/web/offices/com/annual/1996/finrev.html>> (PTO relies heavily on maintenance fees to cover processing costs associated with patent applications). See 37 C.F.R. § 1.19 (1996) (current level of maintenance fees). See generally 37 C.F.R. §§ 1.17-1.20 (1996) for a list of fees charged by the PTO for various services.

127. See 37 C.F.R. § 1.20(c) (1996) (fee for filing a request for Reexamination is \$2,520).

128. See Glenn E. Von Tersch et al., *Strengthening and Weakening the Patent Through Reexamination and Reissue*, 456 PLI/Pat 417, 434 (1996) for statistics on reexamination.

The fee charged for PTO determinations of inequitable conduct issues should be triggered by the patent owner's admission that a misrepresentation occurred, and must be charged before the determination is made. This would help eliminate the PTO's current bias toward issuing applications, rather than finally rejecting them, by making the revenue available from the inequitable conduct determination independent of the result. Also, making post-issue cure expensive would give patent owners additional incentive to fix inequitable conduct issues before the patent issues, thereby furthering the goals of honesty and disclosure during patent prosecution.¹²⁹ The expense of litigating an inequitable conduct claim would dwarf even a \$10,000 fee, so the patent owner would have financial incentives here, too.

Once post-issue cure is sought, the PTO must determine whether the invention is patentable over the actual facts in the case of a misrepresentation or a withheld reference; and the issue of intent should be left by the wayside. Licensees of the patent should have a cause of action for recovery of license fees paid prior to cure, thereby also promoting proper conduct before the PTO. The patent should be enforceable after cure is effected.

When a patent infringement suit occurs, penalties on both sides of the inequitable conduct issue should be severe. Rule 11 can serve as a model here, but courts need to strenuously enforce it.¹³⁰ When a patent owner attempts to enforce an unenforceable patent, the patent owner should be subject to both Rule 11-type sanctions and paying costs for his opponent, regardless of whether the patent owner knew that the patent was invalid.¹³¹ This would provide more incentive to clear up inequitable conduct problems prior to litigation.

On the flip side, charging inequitable conduct needs to be riskier to the alleged infringer. Using Rule 11 sanctions as a model, an alleged infringer could be made strictly liable for sanctions and costs to the patent owner for defending an unsuccessful inequitable conduct

129. See *Rohm & Haas*, 722 F.2d at 1571 (“[A] very important policy consideration is to discourage all manner of dishonest conduct in dealing with the PTO.”).

130. Courts seem reluctant to award sanctions in general. See, e.g., *Jack Frost Labs., Inc. v. Physicians & Nurses Mfg. Corp.*, 39 U.S.P.Q.2d 1607 (S.D.N.Y. 1996) (awarding legal fees under 35 U.S.C. § 285 but no other sanctions for egregious conduct in asserting a clearly unenforceable patent).

131. Knowingly asserting an invalid patent is already sanctionable. See, e.g., *Argus Chem. Corp. v. Fibre Glass-Evercoat Co.*, 812 F.2d 1381, 1386-87 (Fed. Cir. 1987).

charge, even though the alleged infringer had a reference that might be material enough to justify an inequitable conduct charge. Both sides would then be strictly liable on the issue of inequitable conduct, rather than having to satisfy the scienter requirement of Rule 11.¹³² On both sides of the issue, awards of fees and sanctions must be up to the discretion of the judge, but guidelines should narrow that discretion considerably, mandating awards in all but the closest of cases.

If both parties agree, then a court could stay a suit for infringement while the parties seek reexamination by the PTO.¹³³ This would provide for a cheaper determination on inequitable conduct. Unfortunately, at present, reexamination typically favors the patent owner, so getting both parties to agree might prove difficult.¹³⁴

There are several natural counterarguments to this type of change. First, anyone defending a patent infringement suit would want the flexibility to investigate whether inequitable conduct did occur. Additionally, the interest in having the PTO function efficiently cannot be ignored; this requires disclosure of prior art early in the application process.¹³⁵ Likewise, the strong interest in the validity of issued patents can be cited against these proposed reforms.¹³⁶ Obviously, the threat of an inequitable conduct charge tends to give the patent applicants much more incentive to cite prior art to the PTO.

The answers to these counter-arguments are readily apparent. While a party would be subject to sanctions for erroneously pleading inequitable conduct in a suit, that party would not be precluded from investigating the possibility even if it is not pleaded. The same references that form the basis of an inequitable conduct charge can be useful to invalidate the patent without investigating the state of mind of those prosecuting the application.¹³⁷ Therefore, those references

132. Rule 11 allows for sanctions when attorneys knowingly file papers or otherwise make misrepresentations to the court. FED. R. CIV. P. 11

133. See, e.g., *Bausch & Lomb, Inc. v. Alcon Labs., Inc.*, 914 F. Supp. 951, 952-53 (W.D.N.Y. 1996).

134. See Von Tersch et al., *supra* note 128, at 439-42 (reexamination is generally a good option for patent owners, but not for alleged infringers).

135. See 37 C.F.R. § 1.56(a) (1996) (full disclosure by applicants helps the PTO properly assess patentability of claims).

136. See *Rohm & Haas*, 722 F.2d at 1571.

137. *Kingsdown* requires a material reference, which implies the reference qualifies as prior art under 35 U.S.C. § 102. See *Kingsdown*, 863 F.2d at 867.

would be part of the litigation regardless of whether inequitable conduct is charged. Leave to amend a complaint or answer to include inequitable conduct issues would likely be forthcoming if discovery turned up a clear case of inequitable conduct.

At least one court advanced another possible solution to the inequitable conduct problem well before it had reached "plague" status. The Third Circuit, before the Federal Circuit existed,¹³⁸ held only those claims that were affected by inequitable conduct invalid.¹³⁹ However, that case has been cited with disapproval by the Federal Circuit.¹⁴⁰ Ultimately, the Third Circuit's solution suffers from two problems. First, it gives the patentee little incentive to avoid committing inequitable conduct. Second, it makes litigation of patents that much less predictable by allowing a series of defendants to slowly chip away at a patent, possibly even leading to inconsistent adjudication on a given patent when one court holds no intent to deceive and a second court finds intent to deceive on the same facts.¹⁴¹

A possible solution that has yet to appear in the literature is to strike from the patent the broadest claim when inequitable conduct is found. This does penalize the patent owner for inequitable conduct, but to a more reasonable degree. Unfortunately, this novel approach fails to solve most of the problems in this area. In particular, it provides no incentive to the patentee to avoid inequitable conduct because the patentee can simply include several broad claims in anticipation of inequitable conduct. This idea also would prove tough to implement, as claims can be broad in some ways, narrow in others, such that two claims can simultaneously be broader than each other, depending on the perspective from which the patent is viewed. For instance, patents often include numerous claims with slightly different wording that results in slightly different limitations on the scope of those claims. Deciding which of several similar claims was broadest would be a judgment call that could only serve to waste judicial resources.

138. The Federal Circuit was created in 1982 and given jurisdiction over all patent appeals. See 28 U.S.C. § 1295 (1988).

139. See *In re Frost*, 540 F.2d 601, 611 (3d Cir. 1976).

140. See, e.g., *J.P. Stevens & Co., Inc. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553, 1561 n.8 (Fed. Cir. 1984) (*In re Frost* is not precedent in the Federal Circuit).

141. Generally, a patent infringement suit will only involve one alleged infringer, as each infringing act constitutes a separate transaction or occurrence, thereby precluding joinder.

Another possible reform would be some form of inter partes or third party challenges within the PTO on inequitable conduct issues. To some degree, Congress has discussed this concept perennially in conjunction with efforts to reform reexamination of patents and the patent system in general, but it has not focused on inequitable conduct.¹⁴² This type of reform could concentrate these cases in a forum with expertise in the area of law, and might save money the way binding arbitration can. The problem here is that the PTO provides a poor forum for determinations of intent, and for credibility determinations in general.¹⁴³ And again, given how reexamination tends to work, the PTO will likely favor the patent owner over an alleged infringer.¹⁴⁴

As it stands, interviews are conducted between an examiner and an applicant and/or his attorney.¹⁴⁵ This format allows for a full and fair discussion of the prior art in question, and an opportunity to clear up what can be substantial misunderstandings resulting from exchanges that occur only on paper. A fair number of interviews are conducted over the phone. The PTO requires that the applicant summarize the substance of any interview with an examiner and make it of record in the patent application, unless the examiner informs the applicant that the examiner will record the interview.¹⁴⁶

What all of these interviews lack is the adversarial nature that is inherent in inter partes proceedings. Even the physical facilities at the PTO currently lack the capacity for frequent inter partes hearings. The only procedures currently conducted by the PTO that require inter partes hearings are interferences,¹⁴⁷ and interferences occur so rarely that their existence does not provide much support for more inter partes proceedings. Additionally, having an examiner, typically with no legal training, deal with an inter partes proceeding presents

142. See Von Tersch et al., *supra* note 128, at 444-45 (proposed Omnibus Patent and Trademark Office Reform bill HR 3460 includes making reexamination an inter partes proceeding).

143. See MPEP § 2010 (1996).

144. See Von Tersch et al., *supra* note 128, at 439-42 (reexamination is generally a good option for patent owners, but not for alleged infringers).

145. See 37 C.F.R. § 1.133 (1996).

146. See *id.*

147. An interference results when two applications before the PTO attempt to claim the same invention. See 35 U.S.C. § 135 (1996).

many possible pitfalls. Thus, PTO determinations on intent and credibility issues in general should remain a thing of the past.

VI

Conclusion

Under the current law, the defense of unenforceability of a patent due to inequitable conduct is poorly administered in the courts and prejudices the rights of patent owners. To remedy this situation, two changes should occur. One, post-issue cure should be made available through reexamination or reissue of patents. This cure should allow a patent owner to pay a large fee to have patentability determined over prior art or material information that the patent owner admits was withheld from the PTO. At that point, whatever patent results should be enforceable from that date forward as if no inequitable conduct had occurred. Two, the stakes for inequitable conduct in the courts should be raised. Whether a patent owner asserts an unenforceable patent or an alleged infringer asserts a defense of unenforceability due to inequitable conduct, the party losing on the issue should pay attorneys' fees and sanctions unless the judge can find strong reasons for waiving these penalties. This would eliminate all but the most worthy defenses and provide strong incentive to patent owners to make sure their patents are valid.